



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Grassley Praises Committee Passage of Trade Bill

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, today praised committee passage of a trade bill that helps to ensure the continued success of key U.S. manufacturing operations and affirms Senate support for U.S. farmers in international trade talks.

“This bill allows many U.S. companies to produce goods more efficiently,” Grassley said. “That allows them to be more competitive and function more cost effectively, which helps them to create jobs for American workers. Greater cost effectiveness for American companies reduces costs for U.S. consumers. The bill also takes a strong stand on behalf of American farmers in international trade talks. Market access for U.S. agricultural products is very important.”

The Finance Committee passed the *Miscellaneous Trade and Technical Corrections Act of 2003*, which includes a sense of the Senate resolution, added as a strongly supported bipartisan amendment from Grassley and others. The resolution calls for significantly increased access to world markets for U.S. farmers, ranchers and agricultural producers within the context of the World Trade Organization agricultural negotiations.

“These negotiations are so important to America’s farmers that I’d rather see no deal at all than a bad deal,” Grassley said. “Our trade negotiators need our strong support and guidance now more than ever, especially when critical decisions may soon be made that’ll determine the ultimate outcome of the negotiations. That’s what this resolution is about.”

The bill also includes:

- A series of provisions to suspend duties on foreign-made products that U.S. manufacturers use but are unable to obtain domestically;
- An expansion of Generalized System of Preferences (GSP) benefits to include certain hand-made rugs from GSP-beneficiary countries. The primary beneficiary is Pakistan; other countries that would gain from the bill include Turkey, Nepal, Egypt, and Morocco. The bill would significantly increase Pakistan’s treatment under GSP and provide a much-needed advantage to an important ally in the war on terrorism;
- A restoration of normal trade relations status to Serbia and Montenegro (formerly Yugoslavia);

- A series of provisions designed to enhance the international competitiveness of the U.S. insular possessions, such as the U.S. Virgin Islands, Wake Island, Midway Islands, American Samoa, and others; and
- A provision to enhance and strengthen the protection of U.S. intellectual property rights abroad.

Grassley said the bipartisan legislation received the benefit of public comment and scrutiny from the International Trade Commission, the United States Trade Representative, the Department of Commerce, and the U.S. Customs Service. The bill is similar to legislation that was scheduled for mark-up last September. The mark-up was delayed.

Grassley said he hopes for full Senate approval of the bill as soon as possible.

“When our manufacturing sector is lagging, and when we’re looking for ways to stimulate the economy and create jobs, it’s important to pass this bill to allow the benefits of international trade to accrue to American workers,” Grassley said.

Following are:

- (1) a section-by-section bill summary
- (2) the text of the sense of the Senate resolution on agricultural negotiations added as an amendment

MISCELLANEOUS TRADE AND TECHNICAL CORRECTIONS ACT OF 2003

SUMMARY OF PROVISIONS

Title I – Tariff Provisions

Subtitle A - Temporary Duty Suspensions and Reductions

Chapter 1 -- New Duty Suspensions and Reductions

Sec. 1101 through Sec. 1420: These provisions provide for the temporary suspension and/or reduction of duties on certain imports. The products covered in this chapter are largely products that are not commercially available in the U.S., are non-competitive, and are non-controversial.

Chapter 2 -- Existing Duty Suspensions and Reductions

Sec. 1501 and Sec. 1502: Extends certain current duty suspensions and/or reductions until December 31, 2005.

Subtitle B - Other Tariff Provisions

Chapter 1 -- Liquidation or Reliquidation of Certain Entries

This chapter authorizes the U.S. Customs Service to liquidate or reliquidate, at the correct rate of duty, entries that entered the country under an incorrect duty rate due to administrative error.

Chapter 2 -- Miscellaneous Provisions

Sec. 1704- Vessel Repair Duties: In March 2001, the U.S. Customs Service issued its Final Rule on ship repair, which misinterpreted Section 1466 of Title 19, U.S. Code, to mean that

repairs made on the high seas by U.S. crews using U.S. parts were considered foreign repairs and subject to an “ad valorem” duty rate of 50%. This amendment corrects this misinterpretation of the “ad valorem” ship repair duty rules and returns them to their pre-March 26, 2001, status.

Sec. 1705- Duty-Free Treatment for Hand-Knotted or Hand-Woven Carpets: This provision enables the President to proclaim these products, under GSP requirements, to be eligible for duty-free treatment. This provision primarily benefits Pakistan.

Sec. 1706- Duty Drawback for Certain Articles (Insular Possessions): This provision would allow duty drawback to apply to insular possessions.

Sec. 1707- Modification of Provisions Relating to Drawback Claims: These provisions make technical changes to the duty drawback laws that simplify the administration of drawback and ease the regulatory burdens associated with the statute. These changes include:

- establishing a statutory time frame for the liquidation of drawback claims;
- eliminating unnecessary paperwork requirements for drawback claims for substitution products;
- clarifying the requirements for claiming drawback for defective or nonconforming imported merchandise that is exported or destroyed under Customs' supervision;
- clarifying the availability of drawback for packaging materials.

Sec. 1708- Unused Merchandise Drawback: This provision clarifies that the Harbor Maintenance Tax is subject to drawback, in certain circumstances, as consistent with congressional intent and a ruling by the Court of International Trade (CIT). The U.S. Court of Appeals for the Federal Circuit invalidated this practice when it incorrectly interpreted the statute and overturned the CIT ruling.

Sec. 1709- Treatment of Certain Footwear under the Caribbean Basin Economic Recovery Act: This provision amends the *Caribbean Basin Economic Recovery Act* to allow duty-free treatment for footwear from eligible countries. This change will not apply to 17 categories of footwear under the Harmonized Tariff Schedule that are still considered import sensitive. It will provide similar trade benefits to the Caribbean region, that have already been provided under prior legislation, to the Andean and Sub-Saharan African regions.

Sec. 1710- Designation of San Antonio International Airport for Customs Processing of Certain Private Aircraft Arriving in the United States: This provision extends current law for two years.

Title II – Other Trade Provisions

Sec. 2001- Normal Trade Relations with Serbia and Montenegro: This provision restores normal trade relation status to Serbia and Montenegro.

Sec. 2002- Articles Eligible for Preferential Treatment Under the Andean Trade Preference Act (ATPA): This provision corrects a mistake in the Trade Act of 2002 that inadvertently and temporarily raised duties on Andean originating handbags, luggage, flat goods, work gloves and leather wearing apparel under the ATPA, by providing for continued duty-free treatment for eligible products that meet the import sensitivity test, as was the intent of the ATPA.

Sec. 2003- Amendments to United States Insular Possession Programs: The provision improves the operation of the insular possession watch and jewelry program. It removes current restrictions on the use of Production Incentive Certificates by permitting the use of such certificates for refunds of duties on any articles imported into the United States. The bill would add a separate 10,000,000-unit cap for jewelry to account for the fact that jewelry is generally produced at higher volumes than watches. To facilitate the start-up of new insular possession jewelry production, the bill would provide a transition rule under which jewelry assembled by a new insular jewelry producer would receive duty-free treatment for 18 months after the producer's commencement of operations. To help assure the long-term viability of the insular possession program and attract long-term investment in the insular watch and jewelry industries, the bill would also extend the Production Incentive Certificate provisions until 2015. The bill also contains a "standby" mechanism to preserve the insular watch industry and the insular possession program for watches in the event that watch duties are reduced or eliminated on a worldwide basis.

Sec. 2004- Technical Amendments: The provisions amend the apparel provision for regional fabrics and yarns in the *African Growth and Opportunity Act* and the *Caribbean Basin Trade Partnership Act* to permit the use of U.S.-formed fabrics or U.S.-formed components, whether cut to shape or knit to shape, using U.S.-formed yarns, in garments that are otherwise produced from fabrics formed in the region. Without this additional language, benefits are currently denied for garments that incorporate U.S.-made fabrics or components, thereby discouraging the use of such U.S. materials.

The provisions also modify the *African Growth and Opportunity Act* and the *Caribbean Basin Trade Partnership Act* short supply provision to ensure that a garment entered under short supply is not disqualified because the fabric is made in sub-Saharan Africa.

Sec. 2005- Wool Trust Fund: The provision amends Title V of the *Trade and Development Act of 2000* and establishes a Wool Fabric Trust Fund (the Fund). The general purpose of the Fund is to provide grants through the office of the Secretary of Commerce to U.S. manufacturers of worsted wool fabric. Grants are intended to assist U.S. manufacturers in maximizing U.S. employment and the production of U.S. wool textile products.

Title III – Protection of Intellectual Property Rights

Sec. 3001 through Sec. 3005- Intellectual Property Rights Enforcement: These provisions enhance and strengthen the protection of U.S. intellectual property rights abroad by:

- Harmonizing the intellectual property rights criteria for eligibility in the *Andean Trade Preference Act/Andean Trade Promotion and Drug Eradication Act*, the Generalized System of Preferences, the *Caribbean Basin Economic Recovery Act/Caribbean Basin Trade Partnership Act* trade preference programs to that found in other U.S. trade laws, specifically Special 301.
- Establishing a more formalized petition process to "ensure a timely review and disposition" of such petitions by the USTR. The change would generally conform the process by which the eligibility of a country can be challenged under our preference programs to that already applicable for similar trade benefit programs such as the Generalized System of Preferences.

- Correcting a technical deficiency in the time frame for bringing and concluding WTO/TRIPS cases against countries subject to trade action under Special 301.

Modified Amendment by Senators Conrad and Grassley, and Others

Sense of the Senate on WTO Agriculture Negotiations

The amendment would add a section expressing the sense of the Senate that –

1) the goals of the United States in the Doha Round of the WTO agriculture negotiations are to achieve significantly increased market access, harmonize countries' allowed levels of trade-distorting domestic support, and achieve a more level playing field for U.S. farmers, ranchers, and agricultural producers;

2) the proposed “modalities” framework recently released by the Chairman of the WTO Agriculture Negotiations Committee, Stuart Harbinson, fails to meet these goals because –

a) It accepts the European formulation of equal percentage reductions from unequal levels of support that locks in place the EU's current advantage on trade-distorting domestic support levels,

b) While it recognizes that high tariff levels should be reduced more quickly, it nevertheless fails to sufficiently open export markets for U.S. products by allowing countries to maintain prohibitively high tariffs,

c) While it eliminates trade-disrupting export subsidies, it phases out the elimination of export subsidies too slowly,

d) It contains a potentially unlimited tariff reduction loophole that would disadvantage United States agricultural products exported to developing countries, and would also limit trade between developing countries,

e) It preserves the trade distorting “blue box” support payments; and

3) the United States should not agree to this proposal unless and until it is significantly improved such that the framework will result in significantly greater market access and harmonization of countries' allowed levels of trade-distorting domestic support, and achieve a more level playing field for United States farmers, ranchers, and agricultural producers.